

DRAFT
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RH/aty

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VERIFICATION OF THE RECEIPT OF PROPERTY

PAID FOR UNDER THE FEDSTRIP/MILSTRIP SYSTEMS

I. SELECTION OF ITEMS TO BE VERIFIED

25X1 A. There are 3,240 FEDSTRIP/MILSTRIP transactions with a dollar-value of [] recorded in the general ledger account No. 4249 for the period 1 January - 30 June 1968. Of these transactions, there are 1,635 in excess of \$100.00 with a dollar value of [] 25X1 and 1,605 of less than \$100.00 with a dollar value of [] The 25X1 transactions in excess of \$100.00 represented 99% of the total dollar value. The transactions of less than \$100.00 represented 49.5% of the total transactions and less than 1% of the total dollar value.

B. From this data, 163 transactions representing 10% of those in excess of the \$100.00 category were selected for the verification exercise. Of this total there are 35 "unmatched" transactions and 125 "matched" transactions with a total dollar value of [] 25X1

C. Working papers were prepared on the selected items and provided the basis of the verification of the receipt of property paid for under the FEDSTRIP/MILSTRIP System.

II. VERIFICATION OF THE RECEIPT OF PROPERTY

A. The supporting documentation retained by the Central Control and Distribution Branch, Supply Division, Office of Logistics was examined to verify receipt of property for a substantial portion of the procurement involved.

- B. The verification program was continued at [] during an on-site visit to determine receipt of property for which records were not available within the Central Control and Distribution Branch.
- C. FEDSTRIP/MILSTRIP procurement for Type I installations was verified through the examination of records retained within the Office of Finance.

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III. FINDINGS

A. Matched Transactions

Receipt of property was verified in 125 instances whereby the amount shown on a receiving report was in agreement with the amount paid for under the related FEDSTRIP/MILSTRIP procurement. These matched transactions total [] and represent 77% of the total number of transactions selected for verification.

B. Unmatched Transactions

1. Receipt of property was verified in 35 other instances; however, these were unmatched transactions in that the amount shown on a receiving report was not in agreement with the related amount representing payment for the FEDSTRIP/MILSTRIP procurement.
2. The difference between the receiving amount and the payment amount was caused by such factors as cash discount taken when payment was made but not included on the applicable receiving report; the unit price on a receiving report, not in agreement with the unit price shown on the related billing document; underbilled for quantity of items ordered and received and transportation, packing and handling costs (TPH) added to or omitted from a receiving report document

25X1

and also included or excluded on the related payment transaction.

These factors have been described in considerable detail in previous verification reports and need not be repeated here.

3. The unmatched transactions total [] and represent 21% of the total number of transactions selected for verification.

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C. Unresolved Transactions

There were three cases which were not brought to a conclusion during this verification program for the reasons shown below:

1. Purchase Order ~~00453~~ totaling [] Material requested on this order was shipped directly to [] (JMWAVE). No receiving report is on file at Headquarters. CC&DB/SD/OL is taking necessary action to confirm receipt of material from []

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25X1

2. Purchase Order 022172 totaling [] Received 2 items and rejected 1 per Receiving Report 68-58500. Follow-up made by CC&DB on 20 August 1968 for replacement of rejected item.

25X1

3. Purchase Order 5434-21 totaling [] Charges billed this Agency by the Defense Supply Agency against an erroneous MILSTRIP number on Bill No. A-638-68. Follow-up action was taken by CC&DB. DSA will credit this Agency for erroneous billing.

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These unresolved transactions totaled [] and represent 2% of the total number of transactions selected for verification.

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IV. CONCLUSIONS

- A. It is the opinion of the verification team that all property paid for has been received with the exception of that noted in para. III C.3.
- B. Payment prior to verification should continue to be made on the basis of "constructive evidence of receipt".
- C. Cost per unit as shown on receiving reports should coincide with the related cost per unit listed on packing slips.

V. RECOMMENDATIONS

- A. The concept of "constructive evidence of receipt" should continue to be the basis for payment prior to verification. The program to verify property receipts paid for under the FEDSTRIP/MILSTRIP systems should be continued at regular intervals.
- B. Establish new general ledger accounts to record only property procured under the FEDSTRIP/MILSTRIP system.
- C. Publish separate machine listings for each of the following:
 - 1. All payments with corresponding acquisitions having the same FEDSTRIP/MILSTRIP number and the same dollar value.
 - 2. All payments with corresponding acquisitions having the same FEDSTRIP/MILSTRIP number and different dollar value.
 - 3. All payments having no corresponding acquisitions.
 - 4. All acquisitions having no corresponding payments.
- D. Reflect total dollar value and line item count on machine listings.
- E. Balance dollar value of all machine listings to the general ledger accounts.

25X1